Republic of the Philippines
Department of Health
OFFICE OF THE SECRETARY

SEP 11 2020

ADMINISTRATIVE ORDER
No. 2020 - 0043

SUBJECT: Guidelines on Ensuring the Affordability of Essential Medicines in DOH Facilities Through the Regulation of Price Mark-ups

I. BACKGROUND AND RATIONALE

The Philippines is one of the countries where less than thirty percent (30%) of the population has regular access to essential medicines. Affordability is considered to be one of the significant obstacles especially among the marginalized sector who spend around fifty nine percent (59%) of their out-of-pocket (OOP) expenditures for health on medicines, according to WHO. In 2019, a survey conducted by the Pulse Asia revealed that ninety nine percent (99%) of Filipinos do not buy all their medicine prescriptions because they are expensive. When asked how much they are willing to pay for a month's supply of medication, seventy one percent (71%) responded that they can only spend One thousand Pesos (Php1000) or less in a month, while only twenty four percent (24%) are willing to spend up to Five Thousand Pesos (Php5000.) This often leads to non-compliance to the full treatment course, which could result to more serious health implications. In terms of price, medicines are relatively more expensive in the Philippines compared to other Asian countries with similar economic status. For the past years, various initiatives from the government were done to make medicines more accessible and affordable to all Filipinos. The presence of generic market players is also one of the factors why the prices of medicines has improved over time. However, access to medicines remains a serious challenge in the country. The financial burden of medicine costs is still heavy among households across all socioeconomic class.

In 2008, the Republic Act No. 9502 or the "*Universally Accessible Cheaper and Quality Medicines Act*" was implemented, which warrants the Department of Health (DOH) to monitor and regulate the prices of drugs and medicines to protect the patients and the public procuring entities from excessive mark-ups resulting from information asymmetry and lack of effective competition. To address these issues, the Drug Price Reference Index (DPRI) for essential medicines was established to guide the public health facilities in the efficient sourcing of pharmaceutical products. In order to guide the consumers and provide price transparency, the Electronic Drug Price Monitoring System (EDPMS) was likewise put in place. However, despite

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these initiatives, excessive mark-ups on some essential medicines were observed and were not being addressed.

Currently, the Administrative Order (AO) No. 2005-0010 allows all DOH hospitals a thirty percent (30%) mark-up for all medicines procurement regardless of acquisition cost. This policy may not adequately address the increasing challenge of high-priced innovative single-sourced medicines. The passage of the Republic Act No. 11223, otherwise known as *"The Universal Health Care Act"*, provides the government the mandate to ensure equitable access to quality and affordable healthcare goods and services in the country. In line with its implementation, there is a need to review and update existing policies on medicines prices. Section 28 of the UHC Act and its Implementing Rules and Regulations (IRR) provides for medicine affordability using price reference indices and determination of price mark-ups of medicines among DOH-owned health facilities to protect the patients from excessive and unnecessary charges.

In order to achieve such mandate, the DOH is hereby creating these guidelines to provide a mark-up structure on essential medicines across all DOH hospitals. This likewise aims to lessen the wide range of prices of the same medicine at different DOH facilities.

II. OBJECTIVES

This issuance aims:

1. To provide mechanisms in setting the allowable mark-ups on essential medicines being dispensed and/or charged to the patients and to PhilHealth in all DOH hospitals.

2. To provide guidelines for the enforcement, implementation and monitoring of the mark-up scheme across all DOH facilities nationwide.

3. To align this policy in the implementation of the UHC Act and its IRR which mandates the prescribing of a uniform rules and strucures in setting mark-ups for drugs and medical devices and supplies to protect patients from excessive and unnecessary charges.

III. SCOPE AND COVERAGE

This Order shall apply to all essential medicines being dispensed and/or sold to patients in all DOH-owned health facilities (i.e. Hospitals, Specialty Hospitals and Treatment and Rehabilitation Centers) nationwide.

IV. DEFINITION OF TERMS

1. **Acquisition cost-** as a basis in the computation of price mark-ups in adherence to this guidelines, it shall mean the unit cost reflected in the Purchase Order (PO), which was acquired through public bidding and other modes of procurement except Emergency Procurement, Local Shopping or Direct Contracting.

2. **Compounding** – refers to the creation of a particular pharmaceutical product tailored to the needs of an individual patient. To do this, the compounding pharmacist, combines, mixes or processes appropriate ingredients using various tools.

3. **Compounding fee** – for purposes of this guidelines, it shall refer to the corresponding fee added to the retail price to cover the cost of the compounding service, professional services plus a reasonable profit. The fee more accurately reflects the work involved in compounding a prescription.

4. **Essential medicines-** refers to medicines that satisfy the priority health care needs of the population, which are selected based on the evidence of their efficacy, safety, and comparative cost-effectiveness.

5. **Highly specialised drugs-** refers to drugs for the treatment of complex medical conditions that require ongoing specialised medical supervision.

6. **Mark-up-** refers to the amount added to the cost price in calculating a selling price, especially the amount that takes into account the overhead cost and profit.

7. **Overhead cost-** refers to the ongoing expense of operating a business. Overheads are the expenditure which cannot be conveninetly traced to or identified with any particular cost unit, unlike operating expnses such as raw materials and labor.

8. **Prevailing price-** refers to the average price at which a basic necessity has been sold within a month from the occurrence of any of the conditions enumerated under Section 6 of Republic Act No. 7581 (The Price Act).

9. **Price freeze-** refers to the situation in which the prices/s specific products are fixed at the prevailing level and no increase is allowed.

10. **Regressive mark-up-** a mark-up whereby the size or value of the mark-up decreases as the price of the product increases. This may be on a sliding scale or applied in differential (discrete) steps according to threshold prices.

V. GENERAL GUIDELINES

1. The computation of mark-up for regular essential medicines shall be in accordance to Table 1 below. The corresponding rate is inclusive of the 12% VAT (except for VAT-exempt medicines) and other operational expenses such as overhead costs and others.

Table 1. Mark-up structure for regular essential medicines

Acquisition Cost (Php)	Mark-up
P0.01-P50.00	40%
P50.01 -P100.00	P20 + 30% of the excess of P50
P100.01 –P1,000.00	P35 + 20% of the excess of P100
P1,000.01 – P10,000.00	P215 + 10% of the excess of P1,000
P10,000.01 above	P1,115 + 5% of the excess of P10,000

Table 1.1 Sample computation for regular essential medicines

Acquisition Cost	Applicable Rate (%)/Fee	Mark-up	Retail Price
P25.00	40%	P10.00	P35.00
P80.00	P20 + 30% of the excess of P50	P29.00	P109.00
P500.00	P35 + 20% of the excess of P100	P115.00	P615.00
P6,500.00	P215 + 10% of the excess of P1,000	P765.00	P7,265.00
P50,000.00	P1,115 + 5% of the excess of P10,000	P3,115.00	P53,115.00

2. For highly specialised drugs (HSD), medicines for oncology, total parenteral nutrition (TPN) and medicines which needs to be compounded, the retail price shall be computed similar in Table 1. However, compounding fee shall be added as indicated in Table 2.

3. The rate of compounding fee may vary depending on the cost of supplies and other utilities used in the preparation. This will be added on top of the mark-up for each preparation regardless of the number of medicines being compounded.

Table 2. Mark-up Structure for Highly Specialised Drugs

Acquisition Cost	Acquisition Cost	Applicable Rate (%)/Fee	Ceiling rate for Compounding fee
P0.01-P50.00	P25.00	40%	P310.00
P50.01 -P100.00	P80.00	P20 + 30% of the excess of P50	P310.00
P100.01 –P1,000.00	P500.00	P35 + 20% of the excess of P100	P310.00
P1,000.01 – P10,000.00	P6,500.00	P215 + 10% of the excess of P1,000	P310.00
P10,000.01 above	P50,000.00	P1,115 + 5% of the excess of P10,000	P310.00

Table 2.1 Sample computation for HSD and TPN

Acquisition Cost	Mark-up	Compounding fee	Retail Price
P25.00	P10.00	P310.00	P345.00
P80.00	P29.00	P310.00	P419.00
P500.00	P115.00	P310.00	P925.00
P6,500.00	P765.00	P310.00	P7,575.00
P50,000.00	P3,115.00	P310.00	P53,425.00

Table 2.2 Sample computation for an HSD but DOES NOT need to be compounded

Acquisition Cost	Mark-up	Compounding fee	Retail Price
P25.00	P10.00	0	P35.00
P80.00	P29.00	0	P109.00
P500.00	P115.00	0	P165.00
P6,500.00	P765.00	0	P7,265.00
P50,000.00	P3,115.00	0	P53,115.00

4. The list of HSDs in Annex A shall be identified based on the data submitted by the DOH Specialty Hospitals. The list can be updated accordingly upon submission of request of medicines not included in the list.

5. For HSDs availed by outpatients, no compounding fee shall be added to the retail price. Hence, it will be treated similar to the regular essential medicines as shown in Table 2.2 above.

6. For regular essential medicines, the retail price should be the same for outpatients and inpatients and regardless of the room type (e.g. ward, semi-private, private). Charges for additional amenities should be applied to room rates/charges.

7. As stipulated in the Administrative Order (AO) No. 2012-0007, medicines being sold to Senior Citizens that is partially subsidized by the government (i.e. Phipippine Charity Sweepstakes Office (PCSO), Medical Assistance for Indigents Program (MAIP), Philippine Health Insurance Corporation (PHIC)), SC/PWD discounts will no longer be applied.

VI. SPECIFIC GUIDELINES

1. The level of mark-up should remain the same regardless of the quantity supplied by the hospital pharmacies.

2. In situations where there is a declared pandemic, public health emergencies and other catasprophe, the government has the right to issue a price freeze and/or suggested retail prices for the affected drugs and medicines and other commodities as identified by the DOH, Department of Trade and Industry (DTI) or other government entities. In such cases, the following shall be observed:
   a. Price Freeze- no movement of retail prices are allowed. The prevailing price before the pandemic and other situations defined under Section 6 of the Price Act occcur shall still be followed.
   b. Suggested Retail Price (SRP) - if the prices reflected in the SRP differ from the rates in accordance to this guidelines, the lower price shall be applied.

3. In cases of Emergency Procurement, Local Shopping or Direct Procurement the prevailing mark-up rate of the medicines acquired through public bidding shall be followed provided that they are of the same brand. Otherwise, the retail price shall be at cost or no mark-up shall be allowed.

4. For medicines identified under Executive Order (EO) NO. 104, s. 2020 entitled, "Improving Access to Healthcare through the Regulation of Prices in the Retail Drugs and Medicines", the mark-up structure under this Order shall be applied. Except for instances wherein the calculated retail price using the mark-up structure under this Order yields a higher final retail, then the Maximum Retail Price under EO No. 104 shall prevail.

5. The Pharmaceutical Division shall conduct a random monitoring of medicine prices regularly at DOH hospitals to ensure compliance to this guidelines.

6. Apart from random physical monitoring, compliance to this Order shall likewise be monitored through checking and analysis of the existing price databases such as the Drug Price Reference Index (DPRI) and the Electronic Drug Price Monitoring System (EDPMS).

7. If there are complaints against an erring hospital or facility, a written report shall be lodged to the Center for Health (CHD) Development under its jurisdiction, copy furnishing the Pharmaceutical Division (PD).

8. The CHD through the National Drug Policy Compliance Officer (NDPCO) shall act accordingly on the complaint received against the erring hospitals or facilities. A written report shall be submitted to the PD on the actions taken by the said Office.

VII. ROLES AND RESPONSIBILITIES

A. PHARMACEUTICAL DIVISION

1. Set policies and procedures relative to the regulation of mark-up of essential medicines in all DOH hospitals.
2. Monitor the compliance of DOH facilities in accordance with the set guidelines and recommend appropriate sanctions for overpricing.
3. Notify the erring hospitals and issue an initial warning for their non-compliance.
4. Address all issues and concerns relative to the implementation of this Order and improve and/or revise the guidelines when necessary.
5. Conduct regular review and analysis of the price information in coordination with the Drug Price Advisory Committee (DPAC) and use the gathered data in pharmaceutical pricing policy review.
6. Monitor and evaluate the implementation of mark-up regulation based on the submitted medicines price data from DOH facilities.
7. Endorse to the Commission on Audit (COA) any report of non-compliance observed by the Internal Audit Service (IAS).

B. DOH HOSPITALS

1. The DOH hospital chief shall ensure strict compliance and adherence with the ceiling mark-up rates and other provisions stated in this guidelines.
2. Provide data to the PD relevant to the operational expenses of the pharmacy when necessary.
3. Report to the PD any issues and concerns encountered in the implementation of this Order.

C. INTERNAL AUDIT SERVICE

1. Monitor the compliance of DOH hospitals when conducting their regular auditing activities.
2. Submit a written report to the PD of any irregularities and non-compliance observed during the conduct of regular audit.

D. CENTER FOR HEALTH DEVELOPMENT (CHD)

1. The Regional Drug Price Monitoring Officer (RDPMO shall provide technical assistance to the PD in relation to the implementation of this policy which shall include bt not limited to: dissemination of all related issuances to all DOH faclities, collection of related data from DOH facilites when necessary and in the conduct of monitoring and evaluation in the implementation of this Order.
2. Take appropriate action on the complaints received against erring hospitals and submit a written report to the PD on the actions taken thereon.
3. All RDPMO and NDPCO shall monitor the adherence of DOH facilities to this policy.

VIII. SANCTIONS

Non-compliance to the prescribed mark-up structure shall be subject to existing rules and administrative sanctions as stipulated in Republic Act No. 11223 (UHC Act) and other relevant laws, such as Republic Act No. 9502 (Cheaper Medcines Act) and Republic Act No. 7394 (Consumers Act), among others.

IX. REPEALING CLAUSE

Provisions on mark-ups specified under Administrative Order No. 2005-0010 and all other existing issuances, which are inconsistent with or contrary to this Order are hereby repealed, amended or modified accordingly. All other provisions of existing issuances which are not affected by this Order shall remain valid and in effect.

X. TRANSITION PERIOD

1. To give the DOH-owned facilities an ample time to sell the remaining stocks of medicines, this Order shall be implemented three (3) months after it has been signed.
2. The Point of Sale (POS) system shall likewise be updated within the grace period of three (3) moths and include the new mark-up mechanisms for medicines upon implementation of this Order.

XI. EFFECTIVITY

This Order shall take effect three (3) months after being signed.

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Annex A

List of Highly Specialised Drugs (HSD)

No.	Drug Name	Dosage Form and Strength
1	ABACAVIR	300mg tablet
2	AZITHROMYCIN	250 mg and 500 mg (B) tablet (as base*/as dihydrate/as monohydrate), 200 mg/5 mL powder for suspension
3	BACLOFEN	10 mg tab
4	BLEOMYCIN SULFATE	powder, 15 mg ampul/vial (IM, IV, SC)
5	CARBOPLATIN	powder, 150 mg and 450 mg vial (IV) 10 mg/mL,, 15 mL and 45 mL vial (IV)
6	CICLOSPORIN	25 mg, 50 mg and 100 mg capsule (B) 100 mg/mL solution, 50 mL
7	CISPLATIN	1 mg/mL, 10 mL and 50 mL vial (IV)
8	CLOZAPINE	25 mg and 100 mg tablet (requires hematologic monitoring)
9	CYCLOPHOSPHAMIDE	powder, 200 mg, 500 mg and 1 g vial (IV)
10	CYTARABINE	20 mg/mL, 5 mL ampul (IM, SC, intrathecal) 100 mg/mL solution for injection, 1 mL, 5mL and 10 mL
11	DACLATASVIR	60 mg tablet
12	DEFERASIROX	125 mg and 250 mg dispersible tablets
13	DEFERIPRONE	500 mg tablet
14	DOCETAXEL	10 mg/mL solution for infusion (IV), 2 mL and 8 mL vial 20 mg/0.5 mL, 0.5 mL vial (IV infusion) (anhydrous) 40 mg/mL, 2 mL vial (IV infusion) (anhydrous) 20 mg/mL, 1mL concentrate for solution for IV infusion (as trihydrate) 80 mg/4mL, 4 mL concentrate for solution for IV infusion (as trihydrate)
15	DOXORUBICIN	powder, 10 mg and 50 mg vial (IV) 2 mg/mL, 5 mL and 25 mL vial (IV)
16	EFAVIRENZ	50 mg, 100 mg, 200 mg and 600 mg tablet/capsule
17	ENTECAVIR	500 mcg and 1 mg tablet/ film-coated tablet 0.05 mg/mL oral solution
18	EPIRUBICIN	powder, 10 mg and 50 mg vial (IV)
19	EPIRUBICIN	powder, 10 mg and 50 mg vial (IV)
20	EPOETIN ALFA	2000 IU/0.5 mL, pre-filled syringe (IV, SC) 4000 IU/0.4 mL, pre-filled syringe (IV, SC) 4000 IU/mL, 1 mL vial (IV, SC) 10,000 IU/mL, pre-filled syringe (IV, SC)
21	EPOETIN BETA	2000 IU/0.3 mL, pre-filled syringe with needle (IV, SC)5000 IU/0.3 mL, pre-filled syringe with needle (IV, SC) 10,000 IU/0.6 mL, pre-filled syringe (IV, SC)

22	ETOPOSIDE	20 mg/mL, 5 mL ampul/vial (IV) 20 mg/mL, 10 mL vial (IV) powder 100 mg vial (IV)
23	EVEROLIMUS	250 mcg and 500 mcg tablet
24	FILGRASTIM	150 micrograms/0.6 mL, vial (IV, SC) 300 mcg/0.5 mL solution for injection in pre-filled syringe (IV, SC) 300 micrograms/mL, vial (IV, SC) 300 micrograms/1.2 mL, vial (IV, SC)
25	FLUOROURACIL	50 mg/mL, 10 mL ampul/vial (IV, IV infusion)
26	GANCICLOVIR	500 mg vial (IV infusion) (as sodium) (1, 2)
27	GEMCITABINE	200 mg and 1 g vial (IV infusion)
28	IDARUBICIN	powder, 5 mg vial (IV)
29	IFOSFAMIDE	powder, 1 g and 2 g vial (IV infusion)
30	IRINOTECAN	40 mg/2 mL concentrate, vial (IV infusion) 100 mg/5 mL concentrate, vial (IV infusion)
31	LAMIVUDINE	100 mg and 150 mg tablet/film coated tablet 10mg/mL suspension, 240mL bottle
32	LAMIVUDINE + ZIDOVUDINE	150 mg + 300 mg tablet
33	LEVODOPA + CARBIDOPA	100 mg levodopa + 25 mg carbidopa per tablet 250 mg levodopa + 25 mg carbidopa per tablet 200 mg levodopa + 50 mg carbidopa extended release tablet
34	LOPINAVIR + RITONAVIR	200 mg + 50 mg tablet/capsule
35	MANNITOL	Inj.: 20%, 250 mL and 500 mL bottle (IV)
36	METHOTREXATE	Oral: 2.5 mg tablet (as base or sodium salt) Inj.: 5 mg/mL, 3 mL vial (IM, IV) (as sodium salt) 25 mg/mL, 2 mL ampul/vial (IM, IV, Intrathecal) (as base) 25 mg/mL, 2 mL and 20 mL vial (IM, IV, Intrathecal) (as sodium salt, preservative-free) 100 mg/mL, 10 mL vial (as base) 100 mg/mL, 10 mL vial (IM, IV, Intrathecal) (as sodium salt, preservative-free)
37	MYCOPHENOLATE	Oral: 500 mg tablet
38	NEVIRAPINE	Oral: 200 mg tablet (B) 50 mg/5 mL suspension, 240 mL
39	OCTREOTIDE	Inj.: 100 micrograms/mL and 500 micrograms/mL, 1 mL ampul (IV infusion)
40	OXALIPLATIN	Inj.: 5 mg/mL concentrate solution, 10 mL and 20 mL vial (IV infusion) powder, 50 mg vial (IV infusion)

41	PACLITAXEL	Inj.: 6 mg/mL, 5 mL, 17 mL, 25 mL and 43.4 mL vial (IV, IV Infusion)
42	RIBAVIRIN	Oral: 200 mg, 500 mg and 600 mg tablet
43	RIFABUTIN	150 mg capsule (for HIV/AIDS patient on concomitant protease inhibitor therapy, in lieu of rifampicin)
44	RILPIVIRINE	Oral: 25 mg tablet
45	RITUXIMAB	Inj.: 10 mg/mL, 10 mL and 50 mL vial (IV)
46	SEVELAMER	Oral: 800 mg tablet 800 mg powder for suspension
47	SIROLIMUS	Oral: 0.5 mg and 1 mg tablet
48	SOFOSBUVIR	Oral: 400 mg tablet
49	SOFOSBUVIR + VELPATASVIR	Oral: 400 mg + 100 mg tablet
50	TACROLIMUS	Oral: 1 mg and 5 mg capsule 1 mg and 5 mg slow-release capsules
51	TENOFOVIR DISOPROXIL	Oral: 300 mg tablet
52	TRASTUZUMAB	Inj.: 150 mg lyophilized powder (IV infusion) 600 mg/5 mL (120 mg/mL) solution for injection (SC), 5ml, vial
53	VALACICLOVIR	Oral: 500 mg tablet
54	VALGANCICLOVIR	Oral: 450 mg tablet
55	VINBLASTINE	Inj.: powder, 10 mg vial for reconstitution (IV) 1 mg/mL, 10 mL vial (IV)
56	VINCRISTINE	Inj.: 1 mg/mL, 1 mL and 2 mL vial (IV)
57	ZIDOVUDINE	Oral: 100 mg capsule 300mg tablet 50mg/5mL suspension, 240mL per bottle